

# Town of Wellesley

# Town-Wide Financial Plan

## Annual Town Meeting

March 26, 2012

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# Key questions

1. Is the current year (FY12) on-track?
2. How have we balanced the FY13 budget?
3. What do the next few years look like?
4. What will it take to balance the FY14 budget without an override?
5. What decision points lie ahead?
  - This Town Meeting
  - Next 12 months
6. Have we improved the quality of our planning process?

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# FY12 assessment

- Sources of Funds – consistent with budget
- Uses of Funds
  - Will seek \$200,000 supplemental appropriation for unemployment costs under Article 7
  - Otherwise, expect \$1.5M of turn-back

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# FY13 budget highlights

- School budget up 4.2%
  - vs. prior year projection of 5.6%
- Facilities maintenance up \$.9M (including utilities)
  - Subject to favorable action under Article 6
- Other Town Departments up 2.7%
  - 1.8% without impact of Firefighters' settlement and property & liability insurance premium increases
- Health insurance outlook improved
  - 0% premium rate increases on Rate Saver plans
  - Transitioning remaining retirees to Medicare
- Pension contribution up \$.6M – per plan

# FY13 wage increases

	<u>General Wage Increase</u>	<u>Personal Services Increase</u>
General Government	N/A	1.4%
Facilities Maintenance	1.5%	7.2%
Police	1.0%	1.4%
Fire	1.5%	4.9%
DPW	1.5%	1.5%
Library	TBD	0.9%
Schools	1.0%	5.3%

# FY13 Budget

	<u>FY12</u> <u>Budget</u>	<u>FY13</u> <u>Request</u>	<u>\$</u> <u>Inc/(Dec)</u>	<u>%</u> <u>Inc/(Dec)</u>
<b>Sources of Funds</b>				
Taxes	\$ 93,179,781	\$ 96,959,276	\$ 3,779,495	4.1%
State Aid	8,592,729	8,592,729	-	0.0%
Local Revenue	9,897,975	10,219,003	321,028	3.2%
Free Cash	1,041,064	2,912,757	1,871,693	179.8%
Other Sources	2,006,136	1,616,760	(389,376)	-19.4%
Exclusions & Exemptions	12,479,945	12,858,540	378,595	3.0%
<b>Total Sources</b>	<b>\$ 127,197,630</b>	<b>\$ 133,159,065</b>	<b>\$ 5,961,435</b>	<b>4.7%</b>
<b>Uses of Funds</b>				
School	\$ 55,750,605	\$ 58,115,123	\$ 2,364,518	4.2%
Facility Maintenance	5,317,618	6,200,673	883,055	16.6%
Other Town Departments	24,832,178	25,503,269	671,091	2.7%
Employee Benefits	18,932,105	20,577,517	1,645,412	8.7%
Cash Capital	3,008,242	3,526,073	517,831	17.2%
Debt Service (inside Levy)	3,391,825	3,109,135	(282,690)	-8.3%
Other Uses	3,485,112	3,268,735	(216,377)	-6.2%
Exclusions & Exemptions	12,479,945	12,858,540	378,595	3.0%
<b>Total Uses</b>	<b>\$ 127,197,630</b>	<b>\$ 133,159,065</b>	<b>\$ 5,961,435</b>	<b>4.7%</b>
Surplus/(Deficit)	\$ -	\$ -		

# Reserves

Free Cash at 6/30/11	\$ 8,439,070
Anticipated FY12 uses	(200,000)
Anticipated FY13 uses	
- To balance budget	(2,837,757)
- Park & Hwy HVAC design	(75,000)
<i>Total FY13 uses</i>	<u>\$ (2,912,757)</u>
Anticipated generation	
- Chapter 90 deficit	900,000
- Excess revenue	200,000
- Budget turn-back	<u>1,550,000</u>
Projected Free Cash at 6/30/12	<u><u>\$ 7,976,313</u></u>

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# Retirement liabilities

<i>Valuation date</i>	<u>Pension</u> 1/1/12	<u>OPEB</u> 7/1/10
Accrued liability	\$ 164,809,666	\$ 125,582,343
Actuarial value of assets	125,424,614	11,133,131
Unfunded liability	<u>\$ 39,385,052</u>	<u>\$ 114,449,212</u>
MV of assets at 12/31/11	\$ 113,747,265	\$ 20,006,430

# Pension funding

- Appropriations to fully fund by 2030
  - FY12 \$3.1M
  - FY13 \$3.8M (including Enterprise funds)
  - FY14 \$5.9M
- Key assumptions
  - 7.75% return on assets
    - 8% used in prior valuation
  - 5 year asset smoothing with 20% corridor
  - 4% annual increase in amortization payment

# Health insurance

- Moving previously grandfathered retirees to Medicare (if eligible)
  - Required by State health insurance legislation
  - Will result in further migration from Legacy Plans to Medicare Supplement plans
- Further opportunity to transition active employees to WSHG Benchmark Plans
  - 3.5% premium savings
  - Will need to balance this against other collective bargaining objectives

# Health insurance premiums

	<u>Annual Premium</u>	<u>Town Contrib.</u>	<u>Town Cost</u>
<b><i>Active Plan</i></b>			
Harvard Pilgrim Family			
Legacy Plan	\$ 23,556	79.3%	<b>\$ 18,680</b>
Rate Saver	18,348	79.3%	<b>\$ 14,550</b>
<b><i>Medicare Supplement Plan</i></b>			
Medex	\$ 5,190		
Medicare Part B	1,248		
	<u>6,438</u>		
Two individuals	x 2		
	<u>\$ 12,876</u>	50%	<b>\$ 6,438</b>

# Projection Assumptions

	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
<b>Revenue growth</b>				
State aid	1.0%	1.0%	1.0%	1.0%
Local revenue	2.0%	2.0%	2.0%	2.0%
<b>Spending growth</b>				
Schools				
- Genl. Education	5.0%	5.0%	5.0%	5.0%
- STTI	5.0%	5.0%	5.0%	5.0%
Other Town depts.	2.5%	2.5%	2.5%	2.5%
Health insurance	6.0%	6.0%	6.0%	6.0%

# Debt capital projects - inside the levy

	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
<b>Selectmen</b>					
<i>Ladder truck / Engine</i>	605,000		600,000		
<b>DPW</b>					
<i>RDF recycled matls.struct.</i>	220,000				
<i>Bacon St rehabilitation</i>	480,000				
<i>Wales St bridge</i>		400,000			
<i>Park/Hwy HVAC rehab.</i>		1,000,000			
<i>Cliff Road</i>		150,000	1,250,000		
<i>Grove Street</i>			150,000	1,750,000	
<i>Park/Hwy Building Roof</i>				175,000	
<i>Yard Facilities Renov</i>					900,000
<i>Hunnewell restroom</i>					175,000
	<u>\$ 1,305,000</u>	<u>\$ 1,550,000</u>	<u>\$ 2,000,000</u>	<u>\$ 1,925,000</u>	<u>\$ 1,075,000</u>

# Projected deficits

	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>
Projected deficit per S&U	(4,860,656)	(6,066,372)	(6,469,842)	(7,757,204)
Facilities maintenance capital ramping to \$2M in FY16		(981,898)	(1,848,158)	(1,747,651)
Projected deficit	<u>\$ (4,860,656)</u>	<u>\$ (7,048,270)</u>	<u>\$ (8,318,000)</u>	<u>\$ (9,504,855)</u>

# Items not reflected in FY14-17 projections

- Additional facilities-related work
  - Work forthcoming from SMMA school facilities assessment
    - e.g., Modulares at Hardy, Hunnewell, Upham
  - Certain projects may require debt funding
- St. James
  - Expect large portion of potential land acquisition to be funded via CPA

# Median tax bill

	<u>FY13</u>	<u>FY14</u>
Prior fiscal year	\$ 9,585	\$ 9,859
2.5% increase	240	246
Increase (decrease) in excluded debt service	35	(7)
\$5 million override	-	456
	<u>9,859</u>	<u>10,555</u>
% Increase	2.9%	7.1%

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# FY14 balanced budget scenario

- Alternative assumptions
  - \$200K more New Growth
  - Zero out all departmental budget increases
  - \$.9M incremental pension cost (per latest valuation)
  - \$.5M health insurance savings
- Resulting FY14 deficit = **(\$1.4M)**

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# Decisions for this Town Meeting

- This Article – your opportunity to provide feedback on assumptions and projections
- Article 4 – Series 40 and Series 50 wage increases
- Article 7 - \$200K supplemental unemployment
- Article 8 – omnibus FY13 budget

# FY13 Debt capital projects

		Year 1 Debt	
	<u>Article</u>	<u>Service (FY14)</u>	
<i>Inside the levy</i>			
- Fire Ladder Truck	17	\$	90,750
- RDF Recycled Materials Structure	18		33,000
- Bacon Street Reconstruction	21		72,000
			<hr/>
		\$	123,750
			<hr/> <hr/>

# Union contracts

## Open

- Library Association

## Settled through FY13

- Teachers
- School Secretaries
- School Custodians
- Patrolmen
- Superior Officers

## Settled through FY14

- Dispatchers
- DPW Production
- DPW/MLP Supervisors
- Firefighters
- MLP Production

*Bargaining will begin next Fall*

# Biggest driver of annual budget increases

*Wage increases for existing union positions*

a) Step increases for employees not yet on top step



b) Any new steps or step changes



c) General wage increase for all bargaining unit members

# FY14 planning

- Selectmen to lead collaborative (Inter-Board) effort over summer to develop a plan for dealing with FY14 deficit
  - Starting point for discussion – zero increase budget (not “level service”)
  - Additional spending/investments would be subject to an override

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# Quality of our planning

- Delayed start to School budget process, but significantly improved transparency
- Further work required on FY14 and later years
  - Coincident with preparations for next round of union negotiations